

E-book

Sage Intacct

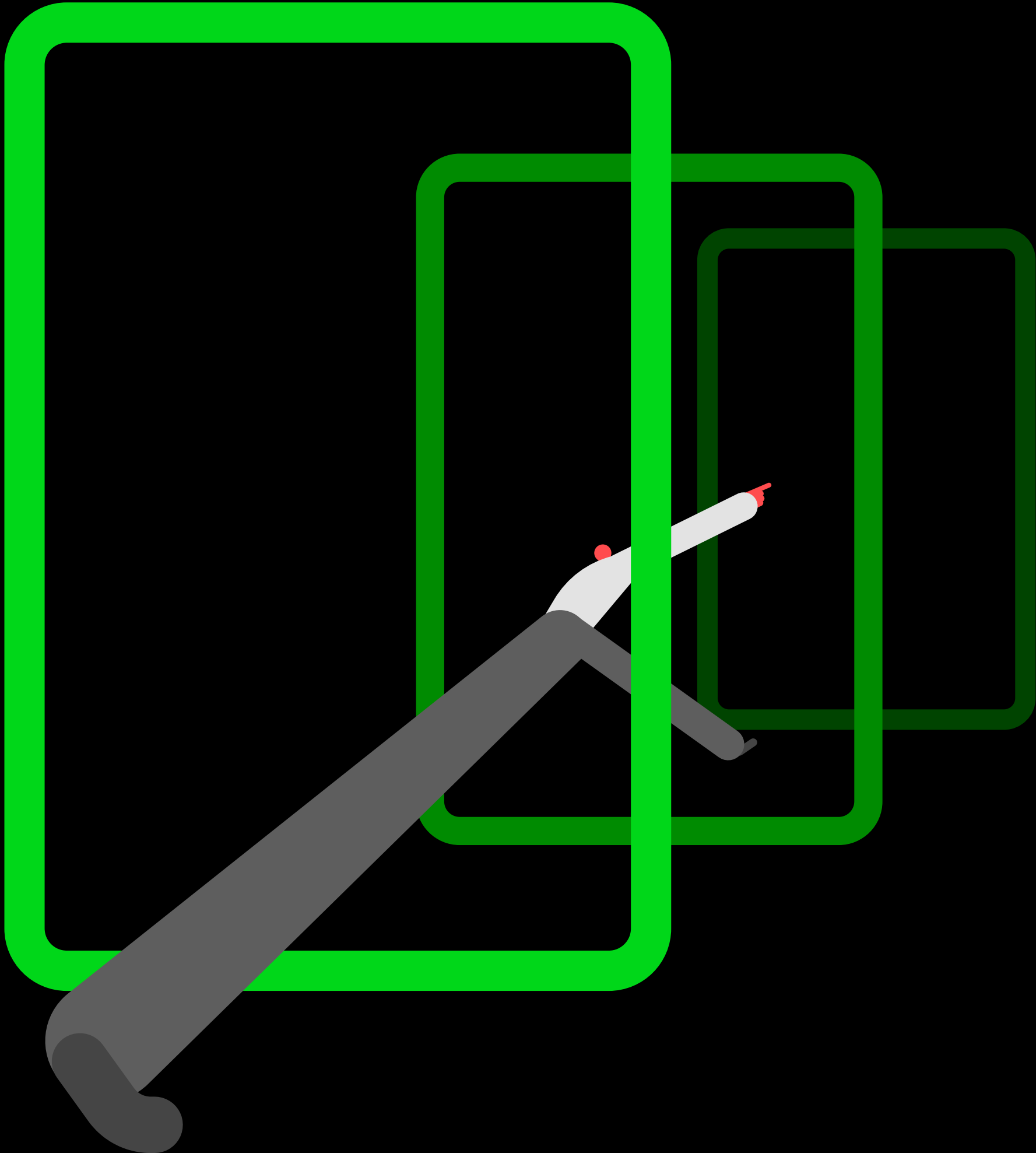
A 5 Step Plan for Selecting the Right Fund Accounting Software for Your Nonprofit

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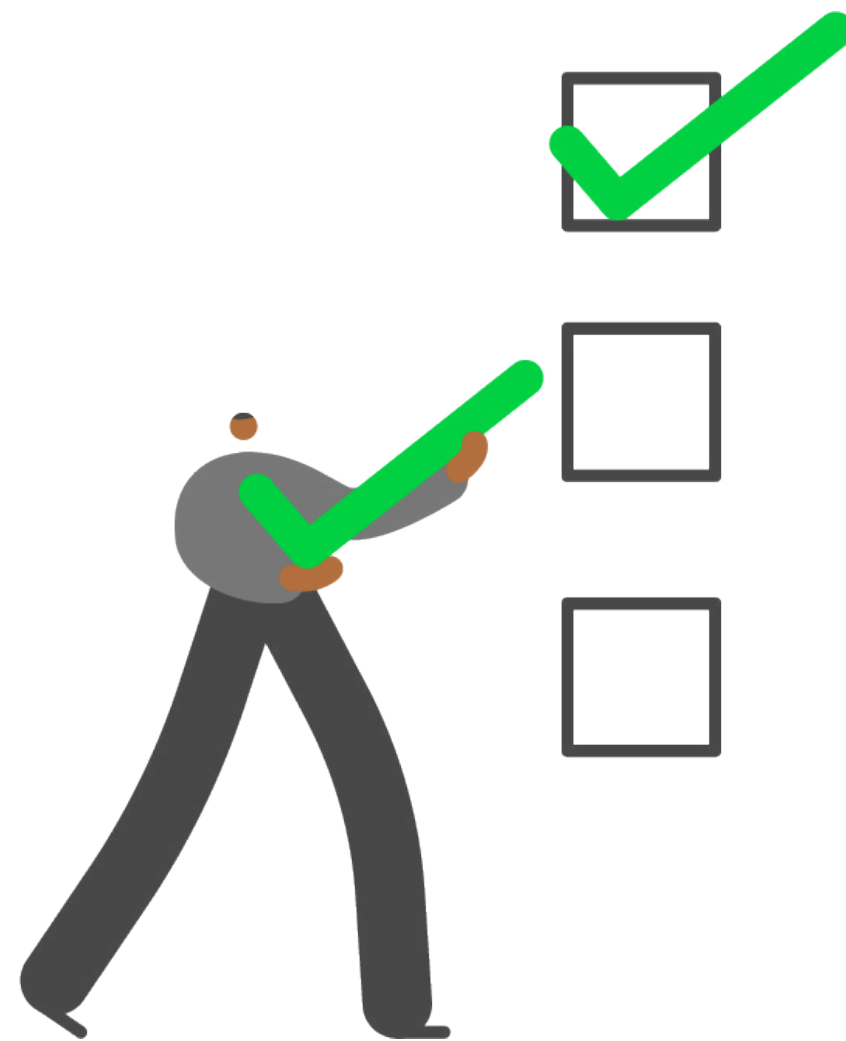
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Introduction

6 reasons to change fund accounting software



If your team struggles with any of the six challenges below, it's time to consider changing your fund accounting system. Even if you decide to stay with your current system, evaluating all your options unlocks invaluable insights into your organization's future needs.

1. Reporting is a struggle that takes too much time.
2. Your organization relies too heavily on inefficient, error-prone manual processes.
3. You depend on unwieldy spreadsheets to analyze performance, sometimes causing reporting errors or version control problems.
4. The number of your locations, programs, grants, or projects has grown rapidly and, as a result, you're considering adding additional accounting headcount.
5. Backward-looking reports no longer cut it for making decisions. Management and the board need real-time visibility, as do external third parties.
6. You need to perform consolidations.

Use this guide to define your requirements, build a business case, and evaluate your options.

Step 1

Get started

Before you begin evaluating fund accounting software, set up your organization for success.



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There are six tasks involved in searching for a new software solution:

1. **Obtain executive buy-in.** You need executive and board agreement about the need for a new system before you begin.
2. **Provide leadership.** Ask someone with authority in the accounting department to lead the evaluation team.
3. **Set clear goals.** Define what you expect to accomplish with the selection of new software. Consider process, performance, and outcome goals.
4. **Assemble a project team.** Choose a group of people to help drive the evaluation process. Include a variety of user roles, including both management and staff.
5. **Involve end users.** Define the requirements for your new system. You will also need to evaluate vendors to find the best system for your organization. End users should be part of both conversations.
6. **Create a project schedule.** The schedule for selecting a new system will vary by organization, depending on organization size and the complexity of requirements.

Step 2

Define your requirements

Before considering your software options, take time to define your requirements.

Document the issues and challenges you've experienced with your current system. Next, prepare a top-down strategy for defining your requirements. Ask the following five questions:

1. What do we want to achieve with our new system?
2. What type of information do we need to make better decisions?
3. How many people need to access the system? And what roles?
4. Which processes do we want to automate?
5. What other applications are we using (fundraising, CRM, church management, grants management, etc.)? Does the accounting system need to integrate with these systems?

For additional insights at this early stage of planning, tap into your network of peers and colleagues—especially those who have recently evaluated fund accounting software. Ask how they identified their critical requirements.

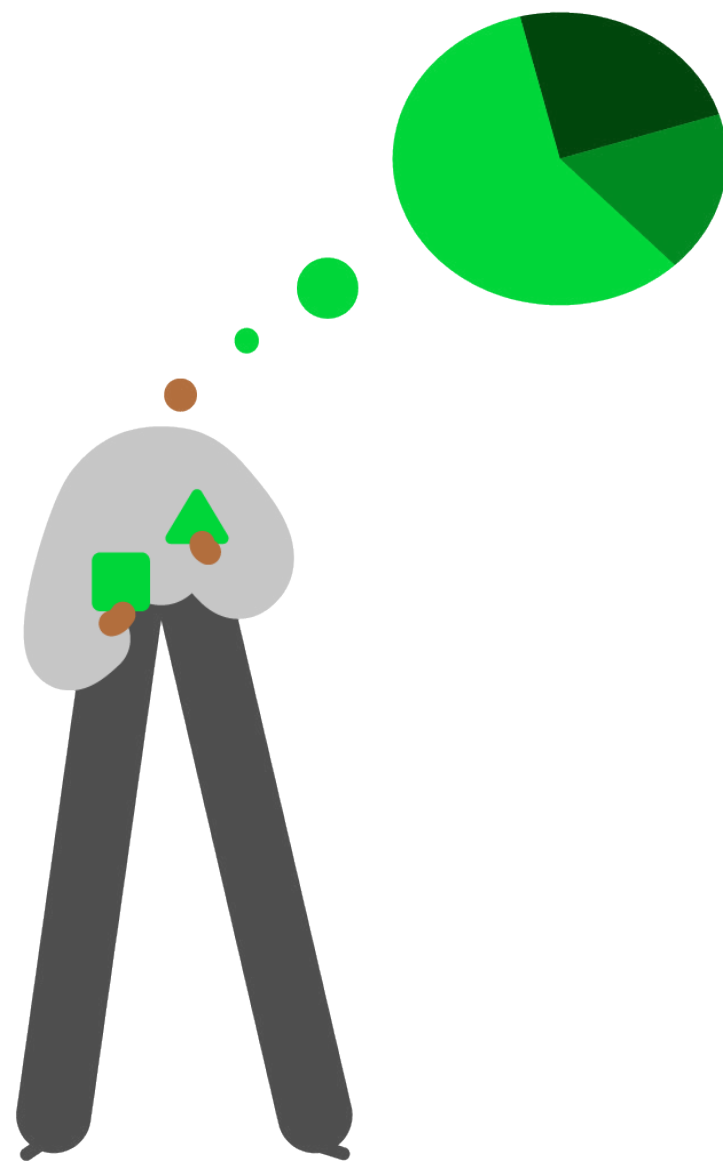
Finally, document the improvements you expect to experience with a new fund accounting system. What do you expect in terms of Return on Investment (ROI) and Total Cost of Ownership (TCO)?

Pro Tip

Use a third-party expert with nonprofit expertise to help you define your requirements. Some resources to consider include your outside accounting firm, technology consultants, and value-added software resellers specialized in helping nonprofits.

4 key areas every CFO thinks about

Choosing fund accounting software means more than saving time and reducing data entry. The right system should also deliver real-time visibility and deeper insights for decision-making.



1. **Boost productivity of financial processes**

- Where do you spend your time now?
- What is done in Excel?

2. **Supply insight for better and faster decisions**

- How old is the information from which you are making decisions?
- What is the bottleneck in getting the data?

3. **Focus resources on your core business**

- What other financial or related systems are critical to your organization?
- Where can you eliminate duplicate data entry, data entry errors, manual work, etc.?

4. **Deliver scale for growth**

- What are your organization's needs 3-4 years from now?
- Do you have a business systems map to meet those needs?

Step 3

Understand your options

For many nonprofits, the software delivery model will be the first major decision in your evaluation.

Software delivery models dictate where you will store your accounting data and how you will access your fund accounting software. There are three flavors of software delivery—on-premises, hosted, and native cloud (SaaS).



On-premises software

What most people think of as the “traditional” software model. It is purchased with an upfront license, installed on your own internal servers, and maintained and updated by your IT staff.



Hosted cloud

Allows a nonprofit to own software that physically resides at a remote data center operated by a third-party hosting provider. Users access their unique instance of the fund accounting system over the Internet using a product like Citrix.



Native cloud (SaaS)

Shared, scalable systems, maintained by the application vendor and accessed securely over the Internet. Vendors improve and upgrade the system continuously, while ensuring your customizations continue to work across upgrades.

Ensuring your requirements are met

Every accounting solution that makes your short list for evaluation will need to meet the functional requirements defined by your organization.

Accounting

General ledger, account reconciliation, bank reconciliation, project accounting, fund accounting, and more.

Finance

Cash management, financial analysis, consolidation and roll-ups, fixed asset management, and more.

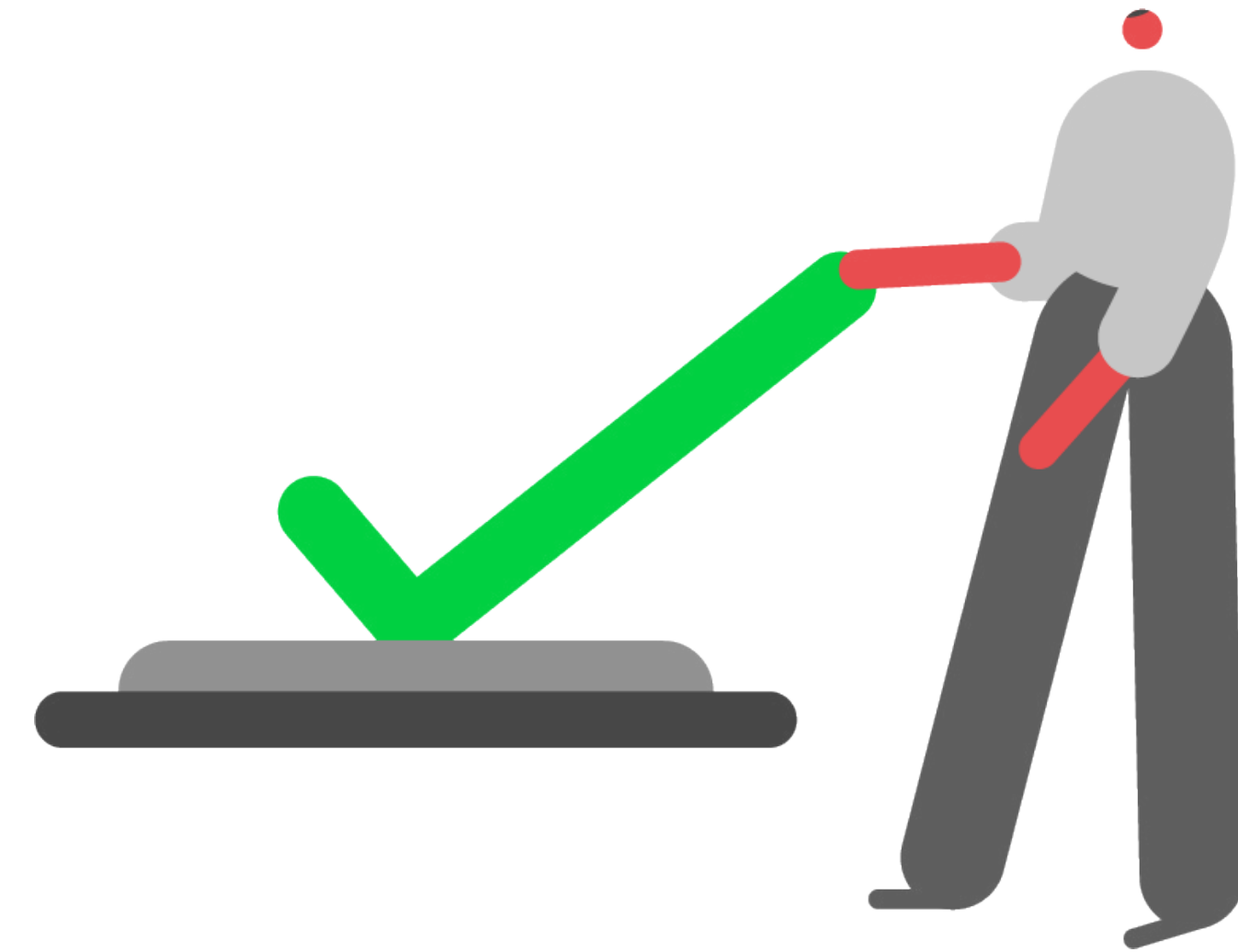
Accounts payable and accounts receivable

Accounts payable, accounts receivable, billing and invoicing, collections management, purchase orders, and more.

Inventory and order management

Batch processing, inventory management, order entry, and more.

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Reporting

Compliance, cross-fiscal year, grant, program, projects, locations, audit trail, multi-organizational, customizable timely reporting, custom user interface, customizable fields, account groups, multi-currency, multi-language, and more.

Employee management

Expense tracking, time tracking, and payroll integration.

Better management

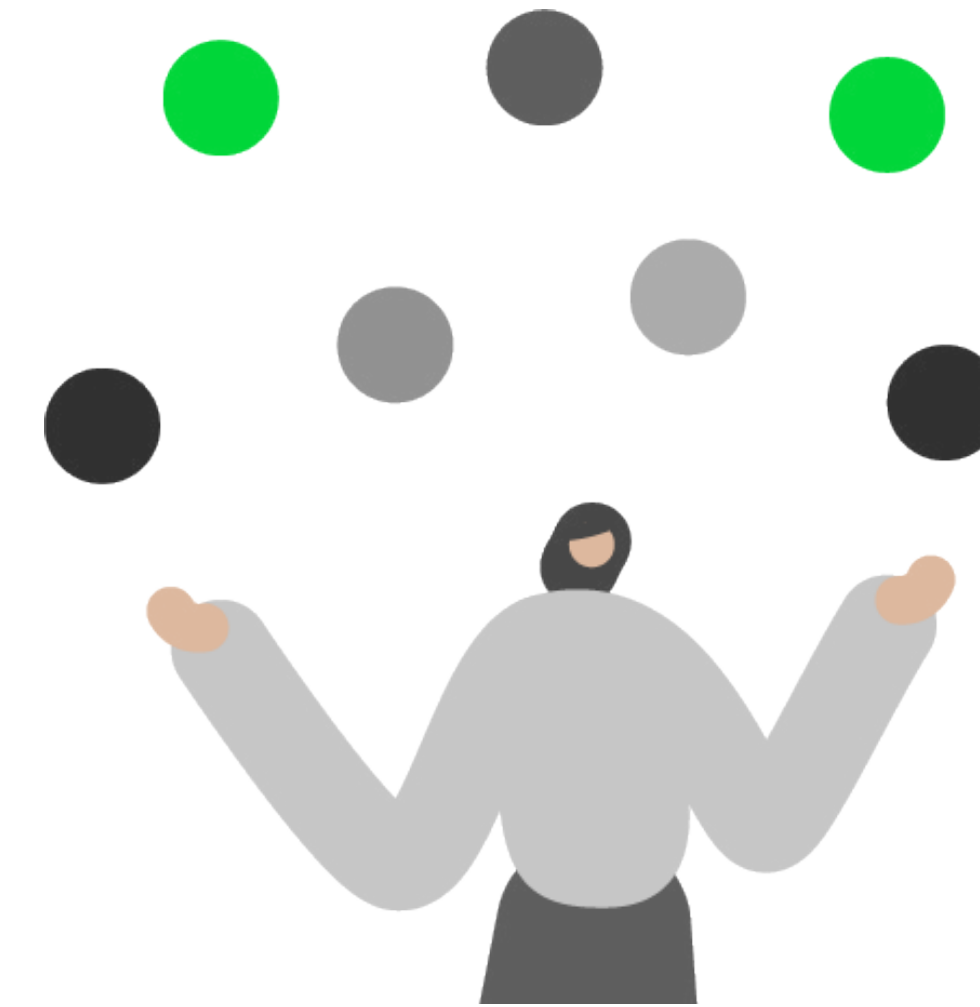
Efficiency and success.

Account for any complex needs

In larger organizations, it's important to include any complex financial management needs in your functional requirements.

Many nonprofits operate multiple locations and programs and work in many countries. Complex operations require a higher order of functionality not usually met by small business accounting software. Do any of these complex needs apply to your organization?

- **Multi-entity:** Some nonprofits work with dozens or even hundreds of different entities. You need a single source of financial truth across all entities and continuous real-time consolidations in order to share information at various levels.
- **Multi-book:** Complex nonprofits often need the ability to view their organizations within multiple scenarios in real-time without any extra work. For example, you may want to view financials for tax purposes versus cash or accrual financial statements.



- **Multi-currency:** If you're operating internationally, you need a system that can update and convert currencies in real-time. You may want to report in local currencies for in-country program managers yet also consolidate and report in a single currency for the board.

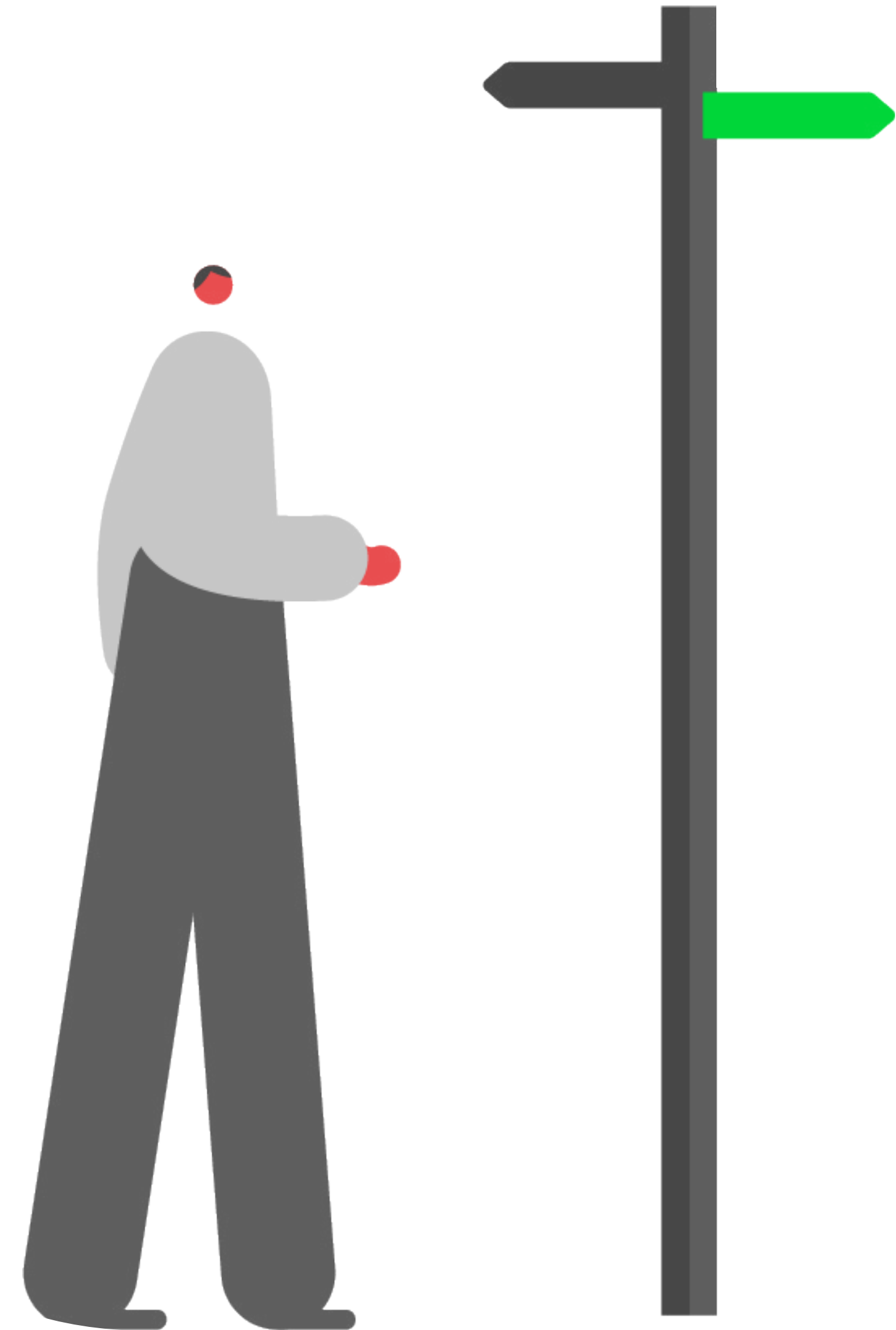
Fund accounting software designed for complex organizations can accommodate these needs. For example, Sage Intacct features a multi-ledger architecture and a multi-dimensional database structure. This allows you to post transactions to different dimensions, like funds or programs, instead of posting them to a static chart of accounts number. The result is highly searchable data, real-time visibility, and flexible, insightful reporting.

Best-in-class or software suite?

With cloud applications, you can enjoy efficient integration between systems without having to purchase a software suite by the same vendor.

Best-in-class software is purposefully designed to provide more and better functionality for each department. Software suites usually deliver less depth of function but come pre-integrated with modules for other departments. Not only do best-in-class systems offer more features, but they are also designed to scale up with your organization. By contrast, most software suites need to be purchased up front as one system.

Many CFOs would prefer a best-in-class financial system, specialized for the unique needs of nonprofits. In the past, nonprofits that selected a best-in-class solution often had to integrate it with other on-premises systems and that could be costly. Today, cloud applications offer easier integrations through open APIs. Unlike on-premises software, integrations between cloud solutions are no longer broken by each new upgrade. Therefore, maintaining data connections to other systems is much easier and more cost-effective.



Your choice depends on your needs

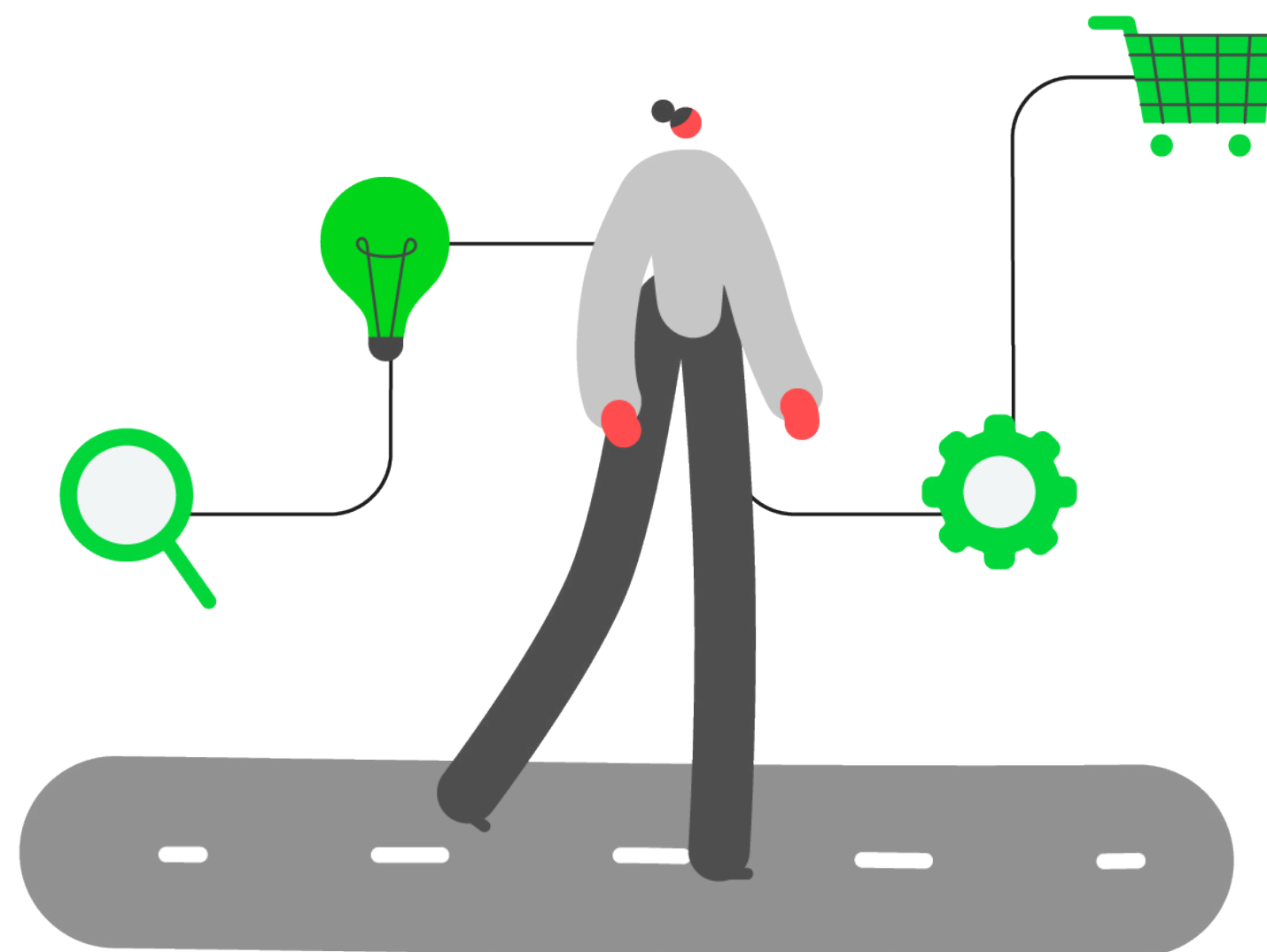
Use this chart to help determine if you prefer best-in-class or suite solutions.

	Best-in-class	Suite
Purchase process	Decentralized, functional autonomy	Centralized
Functional requirements	Deep	Varies
Do you have existing apps you want to continue to use (e.g., CRM)?	Look at pre-built integrations and integrations that will need to be built	Will need to replace existing apps
Cost/Growth	Buy modules as you need or grow	Buy suite upfront and grow into it
Flexibility/Process	Adapt workflow to your business process	Follow prescribed process

Step 4

Software evaluation process for nonprofits

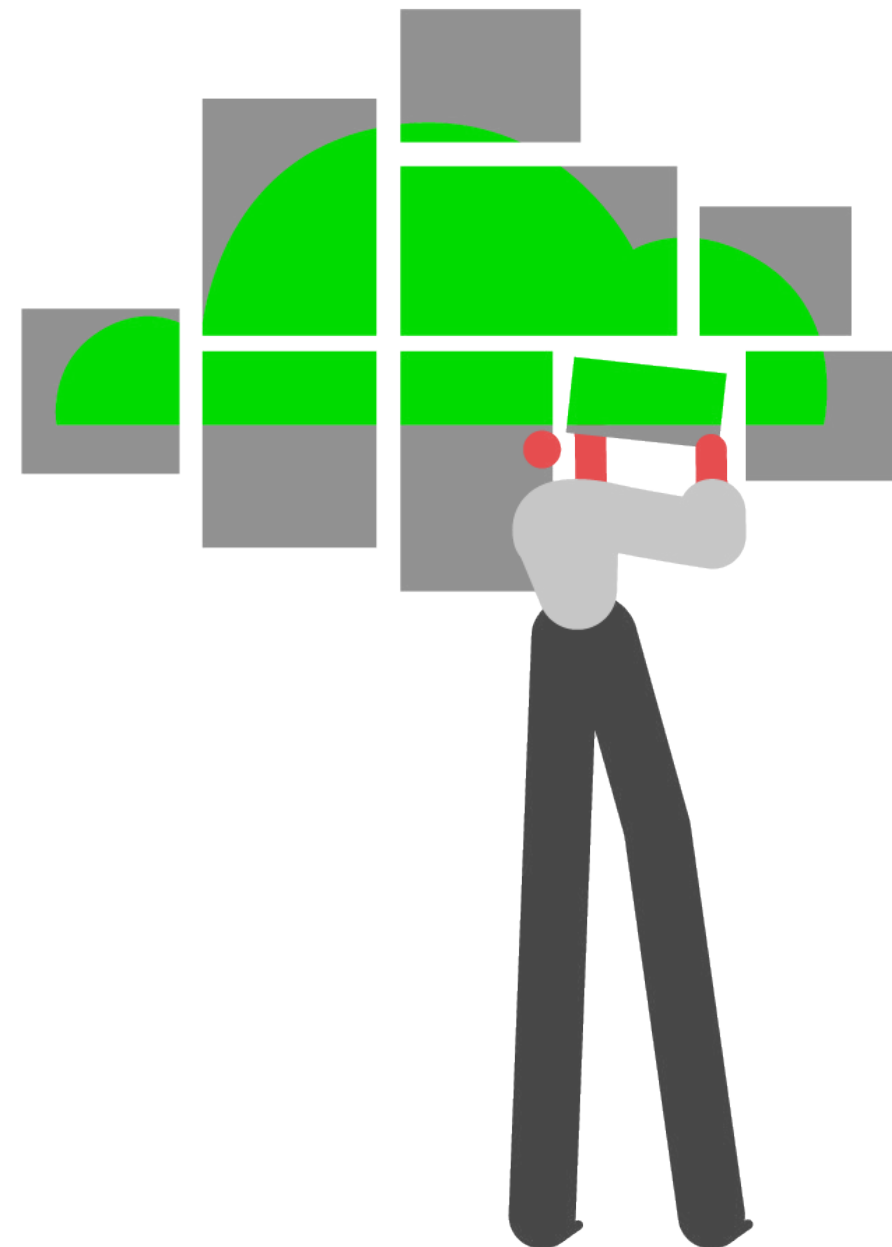
The evaluation process helps you find the solution that best meets your organization's needs at the lowest cost and risk.



1. **Review vendor reputation** by checking online sentiments, accounting publication reviews, and product endorsements from trustworthy associations and websites such as the AICPA, G2, TrustRadius, etc. Check recent industry awards. Inquire about the customer satisfaction rating and customer renewal rate.
2. **Check solutions against your functional requirements** to assess how closely each system fits your needs.
3. **Create a short list** of the solutions that meet your requirements and have reputable vendor endorsements.
4. **Watch a demo or take a free trial** of each solution on your short list, noting ease of use, functionality, efficiency gains, etc.
5. **Quantify the benefits** by calculating your expected Return on Investment (ROI) and Total Cost of Ownership (TCO).
6. **Check references** by contacting current customers. Customer success is a great way to judge the potential fit for your organization. Also, consult with your peers about their experiences with each solution.

Cloud evaluation considerations

Not only should you evaluate a cloud vendor's reputation, but also their operating capabilities.



IT infrastructure and security are among the biggest benefits of selecting a cloud solution. The vendor should provide far better IT hardware, cybersecurity, and disaster recovery than your organization could afford to deploy. That is because the vendor can spread the associated costs across thousands of organizations using the application.

Here are some important quality indicators to ask about:

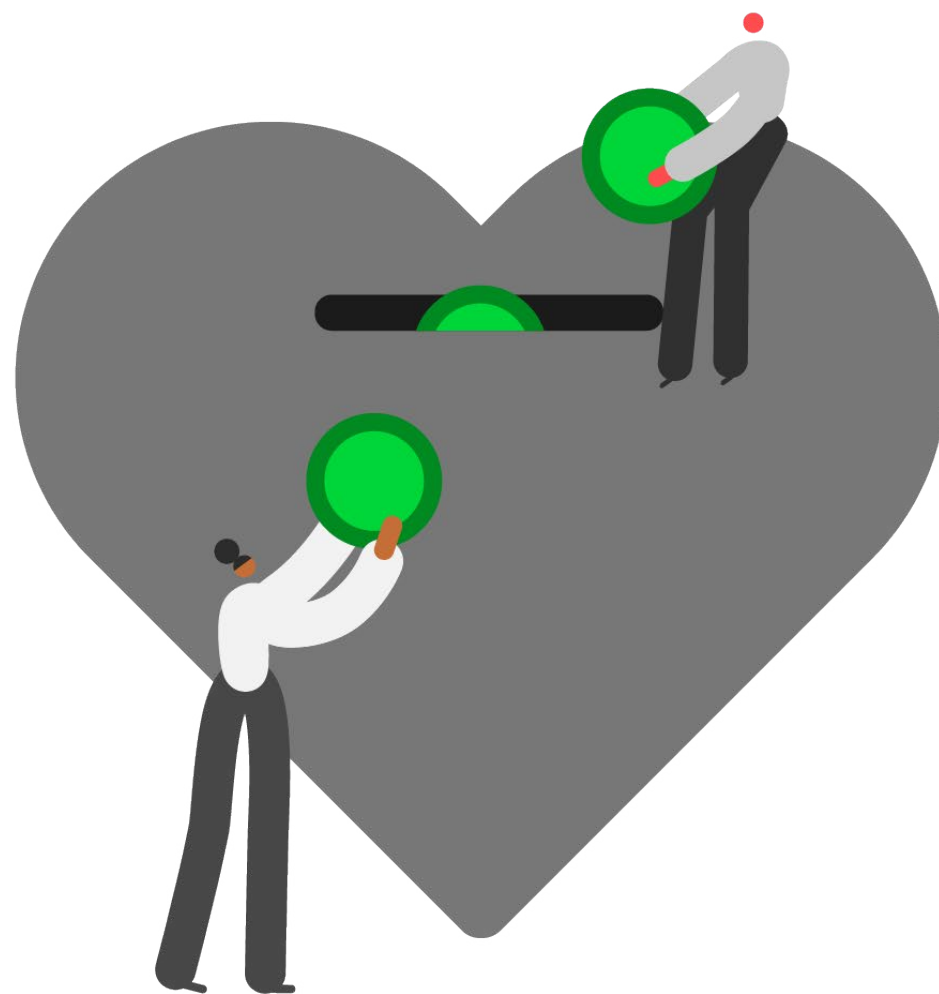
- Tier one data center(s)
- Encryption and hardened systems
- 24/7/365 operations
- Disaster recovery center
- Redundant hardware and networking
- SSAE 16 (previously SAS 70)

You'll also want to know the vendor's Service Level Agreement (SLA) and service level history. With a best-in-class cloud solution, you should expect 99.8% or greater application availability to be guaranteed. Actual availability should be even greater. In the event of a major disaster, the vendor should have your application back up within 24 hours.

Step 5

Calculate ROI and ROM

Develop your business case for a new fund accounting system by identifying how the investment will improve your organization.



You should be able to easily identify where you will see increased productivity and efficiency. Productivity gains will result in time savings and corresponding hard cost savings. For example, if you reduce your month-end close from five business days to two, you have saved three days of your team's time. Now multiply that by 12 months and add in the savings you'd enjoy in year-end closing.

That's just the start of what the right fund accounting system can deliver. You'll also want to consider the value of increased visibility, better donor transparency, more agile decision-making, and fewer mistakes or restatements.

Return on Investment (ROI)

This key performance indicator is the standard most businesses apply to their software purchasing decisions. To calculate ROI, you will determine the value of benefits provided by the software. You will also project the Total Cost of Ownership (TCO) (subscription costs for SaaS or licenses and support fees for on-premises software). Finally, you will calculate how many months or years of the software's benefits it will take to equal the investment made.

Return on Mission (ROM)

Nonprofits need to consider an additional key performance indicator—Return on Mission (ROM). ROM looks beyond the standard ROI formula to make sure your investments have the maximum impact on your mission, not just the bottom line.

Examples of Return on Mission

Return on Mission reflects the impact created when you reappropriate savings you gain through enhanced efficiency and visibility to amplify your mission.



Room to Read

With Sage Intacct, improved productivity by 25% worldwide

Delivered literacy programs to 100,000 more children per year



NATCO

With Sage Intacct, avoided \$230,000 in annual staffing costs

Saved more lives through organ donation



Vitamin Angels

With Sage Intacct, identified \$200,000 in logistical savings

Delivered 800,000 more vitamins to malnourished pregnant women and children



Sandals Church

With Sage Intacct, achieved 30% increase in attendance and 25% growth in donations

Opened six new church campuses

Derive the value from a new application

Here are some areas where nonprofits have seen benefits when it comes to implementing a new financial application.

Business visibility		Revenue gains		Cost savings	
Deeper insights	Time to information	Faster tracking	More collections	Automation savings	Reduced IT costs
Increase productivity <ul style="list-style-type: none">Automate renewals and maintenanceManage multiple entitiesSpeed invoicingCustomize workflowsImprove reporting accuracy and timelinessStreamline training Eliminate <ul style="list-style-type: none">Hidden costs of force-fitting applications to business needsProfessional services and support costs	Reduce costs <ul style="list-style-type: none">Software licenseHardware costs (server, networking, etc.)IT personnelAnnual maintenanceBackup and disaster recoveryRenewal feesAnnual maintenanceNetwork, security, and database upgrade costs	Improve management of <ul style="list-style-type: none">Deferred revenueRevenue recognitionOverdue ARs due to contract non-complianceMonthly invoicingFinancial close processesMulti-entity management	Increase revenue by <ul style="list-style-type: none">Reducing revenue leakageEasily integrating with partner revenue systemsImproving invoicing effectiveness	Enhance management with <ul style="list-style-type: none">Real-time visibility to the state of your organization, especially for consolidated and multiple entitiesComparisons across operating unitsAbility to push down decisionsStrategic KPIs	Expand management control <ul style="list-style-type: none">Better cash managementInternational visibility

Typical benefits included in ROI calculation

Once you’ve defined all the benefits, quantify what each is worth to the organization. This will give you a comprehensive understanding of potential ROI.

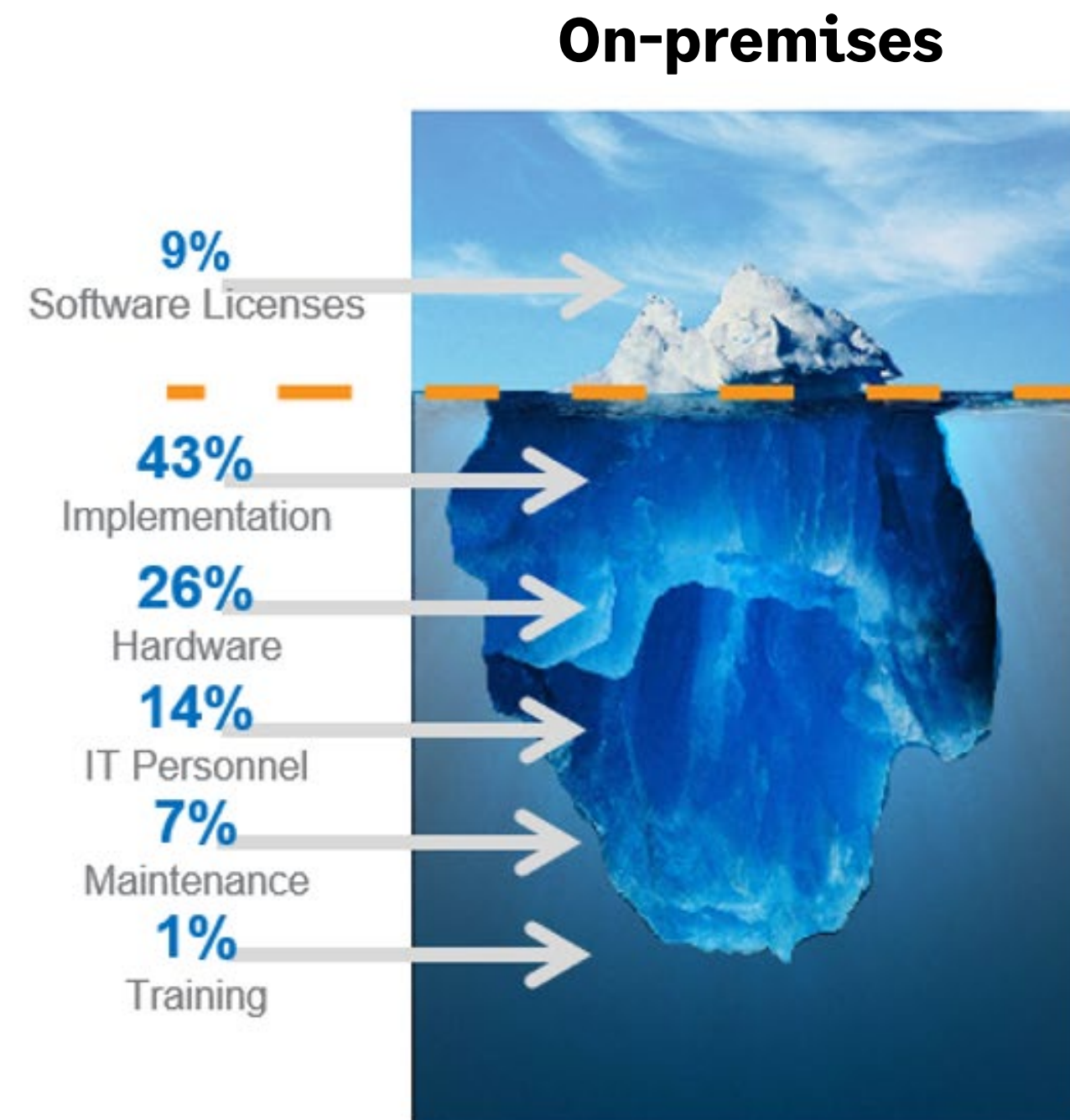
Benefit area	Drivers	Examples
Increased finance productivity	<ul style="list-style-type: none">Automated allocation, deferral, recognition of revenue, and automated performance metricsAutomated billing processing, quick and easy reporting for key stakeholders, and compliance requirements	<ul style="list-style-type: none">1 FTE = \$120K annual savingsSupport organizational growth without headcount increaseShift admin cost savings to program investment
Reduced financial restatements	<ul style="list-style-type: none">Simplified complianceReduced audit costs	<ul style="list-style-type: none">Increased donor and grantor confidence80-hour reduction in audit costs @ \$200/hour = \$16K
Faster closing of the books	<ul style="list-style-type: none">Streamlined, automated processes	<ul style="list-style-type: none">Reducing monthly close time to 3 days = 20% productivity improvement
Real-time reporting and visibility	<ul style="list-style-type: none">More consistent financial and operational reporting without the need for ExcelReal-time visibility into revenue, deferred revenue, and renewals	<ul style="list-style-type: none">Increase of revenue through improved and proactive decision-making. Grant and contract billing, grant renewals, etc.

ROI in the cloud vs. on-premises

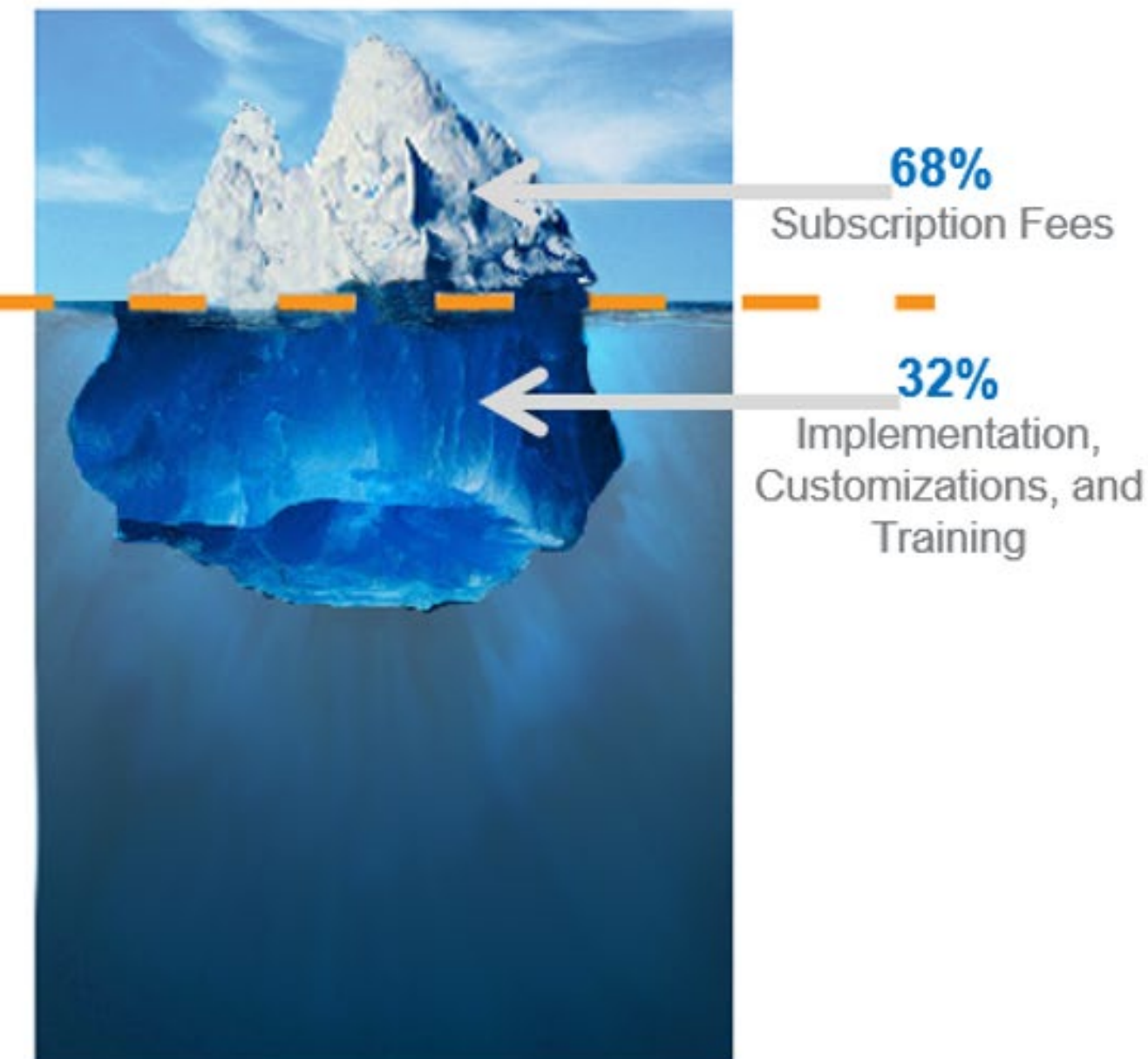
Compared to on-premises, cloud applications offer better ROI plus shifts fixed CAPEX to variable OPEX.

Ongoing costs

- Apply fixes, patches, and upgrades
- Downtime
- Performance tuning
- Rewrite customizations
- Rewrite integrations
- Upgrade dependent apps
- Ongoing burden on IT
- Maintain and upgrade hardware, network, security, and database



Cloud computing

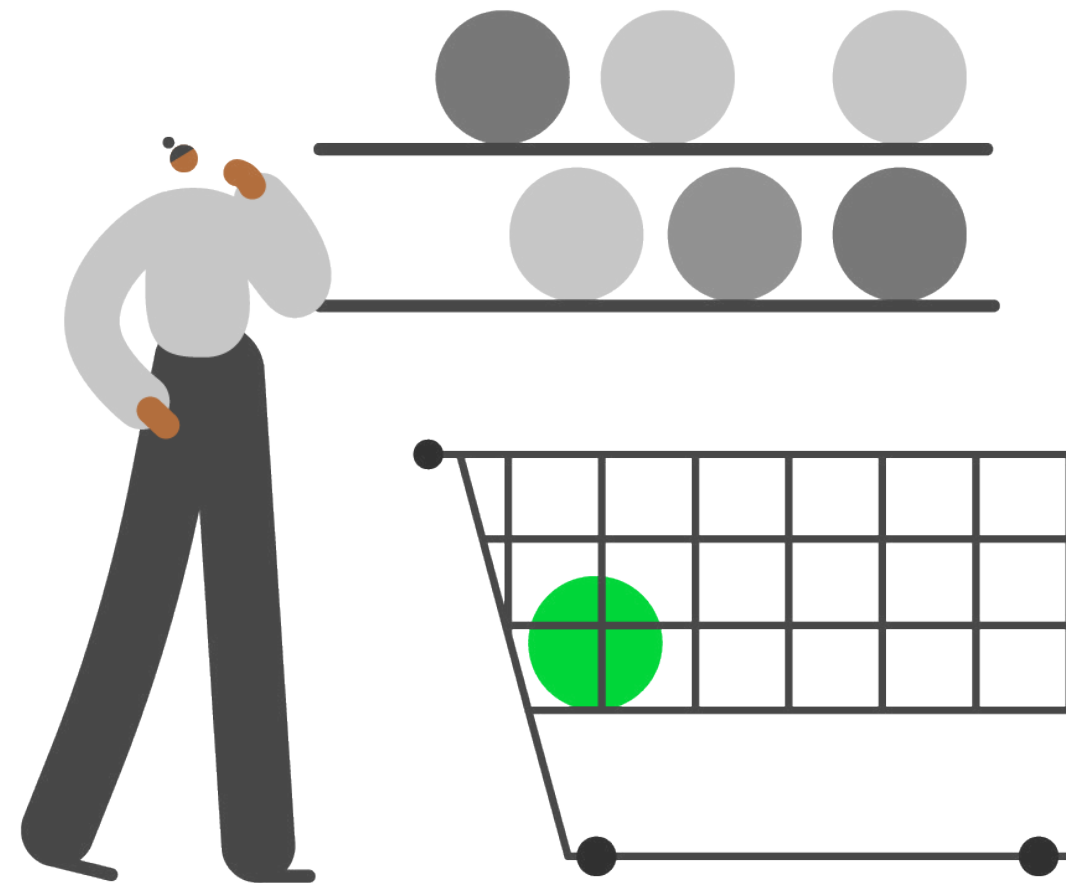


Ongoing costs

- Subscription fee
- Training
- Configuration

Conclusion

Make the best choice for your organization



When it comes to transforming financial management, the benefits of change outweigh the inconvenience of change.

If your nonprofit is struggling under the inefficiency of an outdated or underpowered accounting system, you already feel the pain. The extra work involved to evaluate software and build a business case will be worth it when your organization strengthens its financial management. Right-sized, full-featured fund accounting software designed for the needs of nonprofits contributes directly to mission impact.

Sage Intacct developed this e-book to help you break down the software evaluation and selection process into manageable steps. We hope it has helped you identify your needs, define functional requirements, and determine your potential benefits as you do your homework toward finding the right fund accounting software for your organization.

About Sage Intacct

Sage Intacct is the AICPA's preferred provider of cloud financial applications.

Specializing in helping nonprofits of all types—including health and human services, NGOs, charities, trade and membership associations, cultural institutions, and faith-based organizations—Sage Intacct streamlines grant, fund, project, and donor accounting, while delivering real-time visibility into the metrics that matter.

Our modern, true cloud solution, with open APIs, gives nonprofits the connectivity, visibility, and efficiency they need to do more with less. At Sage Intacct, we help nonprofits strengthen stewardship, build influence, grow funding, and achieve mission success.

In addition to intuitive software solutions, Sage Membership provides members with access to actionable human advice from experts and peers through exclusive content and tools to help you make even better mission-critical decisions.



AICPA

Business Solutions

Preferred Provider of Financial Applications

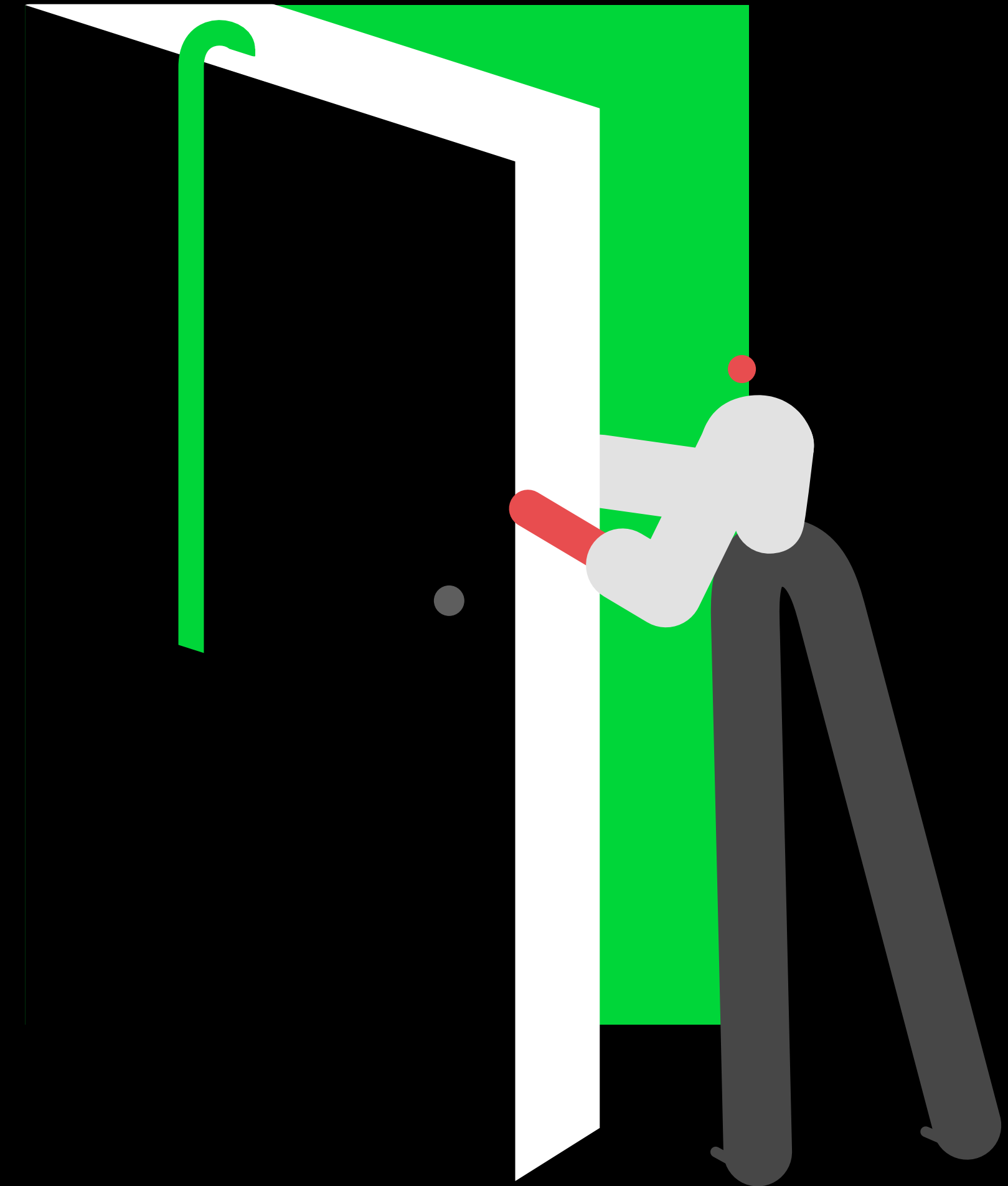
Quick links to educational resources

Looking to move your nonprofit finance operations to a new cloud accounting system? Here are some additional resources to help you make the right decision.

Product overview video
[Sage Intacct for Nonprofits](#)

Customer story video
[Room to Read](#)

More resources
[Browse all nonprofit resources](#)





This content was created in collaboration with Clark Nuber.

[Clark Nuber](#) is an award-winning CPA and consulting firm located in the Seattle Metro Area. For over 65 years, their professionals have provided sophisticated accounting and consulting services to clients in the Pacific Northwest and throughout the world.

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